ISSUE OF ONE HUNDRED AND TWENTY-FIVE MILLION DOLLARS OF TREASURY NOTES.

STATEMENT

OF

HON. J. L. McLAURIN,

OF SOUTH CAROLINA,

IN THE

HOUSE OF REPRESENTATIVES,

WEDNESDAY, OCTOBER 4, 1893.

WASHINGTON.
1893.

Issue of One Hundred and Twenty-five Million Dollars of Treasury Notes.

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IN THE HOUSE OF REPRESENTATIVES,

Wednesday, October 4, 1893.

On joint resolution (H. Res. 15) authorizing the issuing of $125,000,000 of Treasury notes under the acts of 1862 and 1863, as follows:

"Whereas failures, bankruptcy, and business distress are witnessed throughout every section of the United States in consequence of an inadequate volume of currency to maintain equitable prices and make necessary exchanges; and

"Whereas under present statute laws the Secretary of the Treasury has ample authority to issue United States notes in sufficient quantity to relieve the present financial stringency: Therefore,

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That $25,000,000 of United States notes issued under the several acts of 1862 and 1863 be, and the same are hereby, declared lost or destroyed, and the Secretary of the Treasury is directed to credit the redemption account with said amount.

"That the Secretary of the Treasury at once cause to be prepared, signed, and delivered to the Treasurer of the United States $125,000,000 of United States notes as authorized by the acts of 1862 and 1863, the same to be credited to the general fund and to pay current expenses: *Provided*, That the amount so issued shall not exceed $450,000,000, the amount authorized to be issued under the several acts of 1862 and 1863."

Mr. McLAURIN said:

Mr. SPEAKER: I avail myself of the indulgence of the House, and submit a recent argument made before the Committee on Banking and Currency:

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: It is with a good deal of diffidence that I appear before the Banking and Currency Committee to submit any resolution upon the financial question, as I appreciate my own inexperience and ignorance upon many questions which go to make up our financial system. All the more so, Mr. Chairman and gentlemen, because I feel that this committee is not likely to look with favor upon the proposition which I have submitted. At the same time I appreciate the spirit of fairness and courtesy which prompted you to set aside a portion of your valuable time in which to give me a hearing, and I shall not impose upon your good nature. I feel that no gentleman upon this committee expects or needs enlightenment from me upon what is the purpose, effect, and scope of this resolution.

I listened with a great deal of interest to the able argument of Mr. OATES yesterday, and I am convinced that if some scheme of the kind which was proposed by him could be put into operation that, as a permanent thing, it would be greatly to the advantage of our Southern people, but in proposing this resolution I had an eye to something which would be immediate. The need, however, for legislative action of this character is not so great now as it was a few weeks ago when the resolution was introduced, because there has been a revival in business conditions in the South and elsewhere.

We were called together by the President in an extra session to devise a speedy means of relief for the great stringency which existed in the money market, and we were told that the cause of the panic was the operation of the Sherman act, but contrary to what was expected and predicted the business conditions have improved each day as it becomes more and more apparent that the Senate will not consent to the unconditional repeal of the Sherman act. In some way the lost confidence of the business world, about which we heard so much, seems to have been in a measure restored by the nonaction of the Senate.

My purpose at the time in the introduction of this resolution was to try and suggest some means to enable our people to market their crops. There was witnessed every day in nearly all the towns of the cotton belt, the sight of wagons, loaded with cotton being brought into the market and then driven back home, not because there was no demand for that cotton, but because there was no money with which to buy. In many sections of the country, owing to the money famine, the banks associated themselves together and issued clearing-house certificates. These began to circulate as money, and our people soon began to feel the good effects of even a crude currency of that kind. Business interests of all kinds began to brighten, and there was a feeling of hopefulness everywhere.

After I received your invitation the other day to appear before your committee and speak upon this resolution, I wired Governor Tillman to send me one of the clearing-house certificates, which some of your committee have already seen. It is not necessary for me to take the trouble to read it, but I will introduce it in evidence, so that any one can see it. It is as follows:

No. 1197. 5

COLUMBIA CLEARING HOUSE ASSOCIATION.

CERTIFICATE.

COLUMBIA, S. C., *August 19, 1893.*

This certifies that the banks composing the "Columbia Clearing House Association" have deposited with the undersigned trustees of said Clearing House Association, securities of the approved value of seven $\frac{50}{100}$ dollars to secure to the bearer hereof the sum of

FIVE DOLLARS

lawful money of the United States, payable on or before the first day of January, 1894.

This certificate is issued in accordance with the proceedings of the "Columbia Clearing House Association," at a meeting thereof held on the 19th day of August, 1893; and is receivable for any and all dues to the banks

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which are members of said association, and is also receivable on deposit in any of said banks, and also in settlement of all balances due from one of said banks to another.

R. S. DESPORTES,
JOHN A. CRAWFORD, } *Trustees.*
W. J. MURRAY,

Countersigned:
C. M. TEW,
Secretary.

(Indorsed on back:) Payment of the within certificate is guaranteed by the following banks composing the "Columbia Clearing House Association," viz: Carolina National Bank, Central National Bank, Loan and Exchange Bank of South Carolina, Bank of Columbia, Canal Dime Savings Bank, Farmers and Mechanics' Bank.

The CHAIRMAN. That circulates as money?

Mr. McLAURIN. That circulates as money. Let me just in that connection say that here is a private letter which I received inclosing the certificate, and I do not think that there will be any objection to my reading it:

STATE OF SOUTH CAROLINA, EXECUTIVE CHAMBER,
Columbia, September 26, 1893.

DEAR SIR: In response to your telegram Governor Tillman sends you the inclosed certificate. He says you talk about them like they were nothing, but they are worth 100 cents on the dollar, and it takes that much gold, silver, or greenbacks to get them, as they are about all the money we have here.

Very respectfully,

D. H. TOMPKINS,
Private Secretary.

Hon. JOHN L. McLAURIN,
Washington, D. C.

The grain-elevator men in the West, I see by the papers, associated themselves together in a similar way.

The CHAIRMAN. How many dollar's worth of those notes have been put in circulation?

Mr. McLAURIN. Seven and a half dollars——

The CHAIRMAN. No, you misunderstand me. How much is the aggregate volume of that currency?

Mr. McLAURIN. I could not answer that question; but I could get you the information. These are secured by farmers' notes. For instance, they go to each other and get indorsements, and——

Mr. HALL of Missouri (examining note). You mean there is $7.50 security deposited for every $5 of this money?

Mr. McLAURIN. I mean that for every $5 of that issue there is $7.50 of securities deposited, which have to be approved by these trustees, who are men in whom we have every confidence. For instance, here is a man who wants to borrow money, and there are a number of men who own plantations worth $8,000, $10,000, or $15,000, and he get them to go on his note. We know these men are good for the money, unless everything should disappear and all values go. That paper is used as collateral upon which to issue these clearing-house certificates.

The CHAIRMAN. And these notes of private individuals are placed with these trustees as security for the final payment of these clearing-house certificates?

Mr. McLAURIN. Yes, sir. I suggested the indorsed notes as one form of security; they have other forms—bonds, or anything which is good security.

Now, the grain elevator men in the West associated themselves together and issued elevator certificates, and they have gone into circulation as money, and these certificates in the West and the South were enabled to perform every function of money, they did perform every function of money, and they will continue to do so just so long as people have confidence in the organization by which they were issued.

Mr. WARNER. Let me interrupt you just a moment. As I understand it, these certificates are issued upon securities to the extent of 50 per cent above the face of the certificate?

Mr. McLAURIN. Yes, sir.

Mr. WARNER. Generally speaking, upon that kind of commercial paper those who deposit their notes properly indorsed receive from the banks these certificates?

Mr. McLAURIN. Yes, sir. They use that, and they also use mortgages, bonds, and anything of the kind that is good security.

Mr. WARNER. But in the main it is commercial paper which is approved?

Mr. McLAURIN. Yes, sir.

Mr. JOHNSON of Indiana. For how many years back has this been done?

Mr. McLAURIN. Not until this panic; not until we were absolutely "stumped" by a want of currency, we saw loads of cotton and other produce come to market and fail to find purchasers.

Mr. JOHNSON of Indiana. It is a recent invention down there?

Mr. McLAURIN. Yes, sir. It got so bad during September in South Carolina that it was impossible to get meat in some localities, and I have a letter from my own town, a wealthy town for the South, a very prosperous town, where it is stated there has not been a pound of meat in the town for a week; we had to do something. It was a question of necessity.

The CHAIRMAN. Will you obtain from the trustees whose names are upon that certificate a statement of the aggregate volume of those notes which have been issued and furnish it to the committee to be published with your remarks?

Mr. McLAURIN. Yes, sir; I will do that with pleasure. I will ask the stenographer to make a note of it.

Mr. SPERRY. And the time and limit within which they circulate?

Mr. McLAURIN. If you will have the clerk submit any question you would like to have answered I will have it done promptly.

Mr. HALL of Missouri. These trustees might regard that as a business secret?

Mr. McLAURIN. No, sir; I do not think so. I think they will be glad to furnish the committee with any information they possibly can. These certificates have furnished the people with a means of exchanging their products and paying their debts and have served to relieve us from the stagnation in business affairs which existed. If left to themselves, Mr. Chairman, and had Congress never been called together, the good business sense and tact of our people, I believe, would long ago have ended the panic.

In that connection I will read here an item from the Washington Post of the date of September 25, which is as follows:

ISSUED IN LIEU OF MONEY—ELEVATOR SCRIPT HELD TO BE LIABLE TO A TAX OF 10 PER CENT.

ST. PAUL, MINN., *September 25.*

The elevator owners of Minnesota and South Dakota are agitated over the probability that they will in the next few weeks have to pay 10 per cent on certified checks, drafts, and due bills, furnished as a circulating medium in payment for grain.

It is learned that Special Agent Collins, of Chicago, has been here for several days. He has interviewed the officials of two Government depositories and other banks in St. Paul, and learned that they had accepted this class of paper for collection, receiving them in due course of business from country correspondents.

In Minneapolis, representatives of Charles A. Pillsbury and of the St. Anthony and Dakota Elevator Company, Brooks, Griffith & Co., and F. H. Peavey & Co. admitted they had issued these memoranda on account of their inability to obtain currency. These, they acknowledged, had been used instead of United States notes or legal tenders. They claimed, however, they had been legally advised that they would not be conflicting with the United States laws. Their action, however, is a clear violation of section 3413, internal-revenue laws.

Collector Johnson has located about $25,000 worth of these checks, on which the tax would be $2,500. But few returns have been received from country points, and until they are received it can not be determined what amount has actually been placed in circulation. Collector Johnson and A. G. Collins are both of the opinion that the companies are amenable to the law and will have to pay an assessment of 10 per cent, but before this is levied a full report of the amount of the checks issued and all the facts in the case will be sent to Washington.

Now, the Treasury Department came forward after our people had adopted an expedient of this character which affects nobody but ourselves; if these certificates are not good there will be nobody hurt but the South Carolina people and the Western people, and nobody is obliged to take them, it is nobody's business; it is a private business transaction, yet the Treasury Department rules that all of our certified checks, even due bills and certificates of clearing-house associations are liable to the 10 per cent tax.

Mr. JOHNSON of Indiana. Do you mean the Treasury Department did that?

Mr. HALL of Missouri. You refer to the First Comptroller?

Mr. McLAURIN. I do not know who did it; but even the threat tends to unsettle business transactions based upon these certificates.

Mr. JOHNSON of Indiana. Was it not Mr. Miller, of the Internal Revenue?

Mr. HALL of Missouri. I did not understand that the ruling applied to this more than to the New York clearing-house.

Mr. McLAURIN. That article in the Post so states it.

Mr. WARNER. I sincerely hope they will attack both New York and South Carolina, and that the 10 per cent tax will not be in existence three months from now.

Mr. McLAURIN. Now, Mr. Chairman and gentlemen, without any special knowledge on the financial question, but looking at it simply as a lawyer and a man who claims to have a little common sense, it seems to me that this is the very strongest argument which could be adduced in favor of a resolution like the one that I have proposed. It is the practical operation of the *vis medicatrix naturæ*, being an effort of the financial body to

throw off diseased conditions by the natural laws of trade and finance.

When the Government refuses to allow us to adopt an expedient of this character—in other words, refuses to allow us to help ourselves—she should come in, and give to the sick man the kind of medicine that his symptoms demonstrate is necessary. When she prohibits to everybody else, individuals and States, the power to issue due bills or any bills of credit, and arrogates to herself the full power to do that, it becomes her sacred duty to exercise that power wisely and to exercise it as fully as the business needs of the country indicate is necessary.

Mr. HALL of Missouri. And promptly.

Mr. McLAURIN. And by all means, promptly. Now, Mr. Chairman and gentlemen, in the introduction of this resolution I take the position that the Government without the enactment of another statute, under the laws already existing, has ample authority to give immediate and permanent relief. She can do just what the banks and grain elevators have attempted to do, except that she can do it much more thoroughly and effectually than they can, because she can issue the full legal-tender currency, which will be good for all debts, both private and public, at merely the cost of printing, and thus give to the country relief from the troubles which are now existing. The authority for this—and I have not been able to find any law which modifies or changes it—is epitomized in this book: "National Loans of the United States," page 156, which reads as follows:

The act of February 25, 1862 (12 Stat., 345), authorized the issue of $150,000,000 United States notes, not bearing interest, payable to bearer, at the Treasury of the United States, and of such denominations, not less than $5, as the Secretary of the Treasury might deem expedient, $50,000,000 to be applied to the redemption of demand notes authorized by the act of July 17, 1861; these notes to be a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt, and to be exchangeable for 6 per cent United States bonds. The act of July 11, 1862 (12 Stat., 532), authorized an additional issue of $150,000,000 of such denominations as the Secretary of the Treasury might deem expedient, but no such notes should be for a fractional part of a dollar, and not more than $35,000,000 of a lower denomination that $5; these notes to be a legal tender as before authorized.

The act of March 3, 1863 (12 Stat., 710), authorized an additional issue of $150,000,000 of such denominations not less than one dollar as the Secretary of the Treasury might prescribe, which notes were made a legal tender, as before authorized. The same act limited the time in which Treasury notes might be exchanged for United States bonds to July 1, 1863. The amount of notes authorized by this act was to be in lieu of $100,000,000 authorized by the resolution of January 17, 1863. (12 Stat., 822.)

The length of loan indefinite; the amount authorized, $450,000,000; amount issued, including reissues, $1,640,559,947; the highest amount outstanding June 30, 1864, $449,338,902, sold at par. Interest none; outstanding June 30, 1880, $346,681,016.

Now, this statement reveals the fact that the Secretary of the Treasury could at any time issue greenbacks to the full amount of $450,000,000. It requires no act of Congress and even this resolution is unnecessary so far as the enabling power is concerned. He has the right to issue these notes at any time; and, in fact, I believe other Secretaries of the Treasury have exercised the right.

Mr. HALL of Missouri. Let me ask you right there. You say you have not found since 1863 an act which limits the amount of greenbacks in circulation?

Mr. McLAURIN. No, sir; I do not think the Voorhees act does it, and I have not been able to find anything which does.

Mr. HAUGEN. Did not the resumption act provide that greenbacks should be redeemed, and later was it not by a further act declared that they should be redeemed only down to a certain point—$346,000,000?

Mr. McLAURIN. In regard to fractional currency, I found, under the act of July 21, 1875——

Mr. HALL of Missouri. But is there not a provision in an additional act that the circulation of greenbacks shall not be redeemed to a less amount than $340,000,000?

Mr. McLAURIN. I say that there is, but it does not interfere with the $450,000,000, which is the maximum limit, beyond which they can not go. I have not been able to find any act that interferes with the $450,000,000 maximum limit to which they can issue the Treasury notes provided for in the acts of 1862 and 1863.

Mr. HALL of Missouri. The resumption act provided that the greenbacks should be redeemed in coin, and later when they had redeemed down to a point where there was $346,000,000 in 1878, it was declared that they should not be withdrawn from circulation below that point, but as they returned to the Treasury new notes should be given.

Mr. McLAURIN. The way I understand it is that they could not go below $346,000,000, and not over $450,000,000, and when brought in they shall be immediately paid out; they can not under the law be hoarded in the Treasury.

As I said, other Secretaries of the Treasury have taken authority to increase the amount in circulation, and my authority for this allegation is found in the Statistical Abstract, where, on the twenty-ninth page, you will find in 1873 that there was $356,000,000 in circulation, and that in 1874 there was $382,000,000 in circulation. Now, this shows an increase of $26,000,000. If they could increase it $26,000,000 in the emergency of the panic of 1873, why, in the emergency of the panic in 1893, could they not increase it $125,000,000, provided they do not exceed the $450,000,000 limit?

Mr. WARNER. I think the gentleman will find that the resumption act—I have not it by my side—but by inference from its permission, and the construction, I think, has been concurred in ever since, authorizing as it did the issue of bonds for certain purposes practically limited the power thereafter of the Secretary to that covered by the permission, and that the resumption act is at a latter date than the circumstances to which you allude.

Mr. McLAURIN. I understand that.

Mr. WARNER. And the act of 1878 modified in no particular whatever, and did not purport to modify in any particular whatever, the resumption act, but simply provided as to United States notes which might thereafter be redeemed; that they should not be canceled, but should be paid out and kept in circulation, thus leaving the greenback currency at the amount of $346,000,000, and upon the uniform ruling of the Secretary of the Treasury, which I think he is justified by the plain terms of the act of 1875, leaving no permission to issue further bonds

after 1875 except under that act, as to which there has always been a doubt raised whether the act of 1878 did not cancel that as well.

Mr. McLAURIN. It is a question of construction; I understand that, but I was adverting to the act of 1873 and 1874 more in the nature of an argument than to cite it as a precedent.

Mr. HAUGEN. You have not made any inquiry of the present Secretary of the Treasury as to whether he regards himself in possession of this power to issue further currency?

Mr. McLAURIN. No, sir; I did not, because I thought if this resolution went through it would be a legislative construction act, and he would be spared the necessity of construing it himself.

Mr. HALL of Missouri. The report of September 1, 1893, of the Secretary of the Treasury shows that he is above the issue by $681,000. How does he explain that?

Mr. DAVIS. I want to make this point. When it was limited to $346,000,000, was there not an implied obligation it should be kept as much as that? I have here an argument made in 1888 by Senator Plumb showing at least——

Mr. WARNER. This is covered by the forepart of Mr. McLAURIN'S joint resolution.

Mr. McLAURIN. Yes, sir; I think it is.

Mr. HAUGEN. Mr. HALL states that the present Secretary of the Treasury has made a report, and it shows $346,366,000——

Mr. HALL of Missouri. I have no confidence in that report; I made that statement a good many times.

Mr. DAVIS. I will state this, further: I have here a second reply. I reply to his report in April, 1892, and he replied to me, and I replied again in October, 1892, and I show that he counts various moneys that are not in existence here at all. There is absolutely $50,000,000 more than there was in existence; and Senator Plumb showed how it was in regard to the gold.

The CHAIRMAN. The reduction to which you refer is accounted for, probably, by the act of Congress approved May 31, 1878. At that time Congress passed an act to prohibit the further retirement of United States legal-tender notes, and if you will pardon me I will have the text of that act put in the RECORD, so we will have it before us:

That on and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes, and when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued and paid out again and kept in circulation: *Provided*, That nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denominations in their stead as now provided by law.

After the law passed the Secretary fixed the amount to be kept in existence at $346,000,000, and between the passage of the resumption act and the passage of this act there were retired greenbacks under the resumption law to the amount which has been stated. After that there has been no retirement, except possibly the destruction, and while new ones were issued instead——

Mr. HAUGEN. You have before you the banking laws, and I

would like to have you refer to the resumption act and see what it states in regard to the maximum. What is said in the earlier laws in regard to the maximum to be issued?

The CHAIRMAN. It is as follows:

And on and after the 1st day of January, anno Domini 1879, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the assistant treasurer of the United States in the city of New York, in sums of not less than $50.

That was the authority to redeem them and there was no authority to reissue, and when they were presented for redemption they were canceled.

Mr. McLAURIN. I will take up the discussion of that section in which I provide that $25,000,000 be declared lost or destroyed. The reason I introduced a section of that kind was because I feared some trouble along the line indicated by Mr. HALL.

Mr. HALL of Missouri (to chairman, referring to book). That section was in this law; you inadvertently overlooked it; you went down too low.

Mr. HAUGEN. I wanted to find out what the maximum was.

The CHAIRMAN. I presume Mr. HAUGEN'S question refers to this part of the law:

And whenever and so often as circulating notes shall be issued to any such banking association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of $300,000,000.

This is the resumption act of January 14, 1875.

Mr. HAUGEN. Then the maximum of this act was changed afterwards from $300,000,000 to $346,000,000, that being the amount outstanding at the date of the later act.

Mr. McLAURIN. To resume the thread of my argument, I find a precedent for declaring $25,000,000 lost and destroyed and authorizing the Secretary of the Treasury to credit the redemption fund with that amount in the act of June 21, 1879. In that act you will see between $8,000,000 and $9,000,000 have been declared lost or destroyed, and again the Secretary of the Treasury, in his report of 1884, admits that $1,000,000 of Treasury notes were burned up in the Chicago fire. There are no means, however, of determining the exact amount, but some idea of the amount lost or destroyed may be formed by a comparison with the fractional currency.

The largest amount of fractional currency outstanding at any one time was $46,912,003, which was in 1874. In January, 1875, Congress passed an act providing for the retirement of fractional currency, and I suppose by this time it has all been retired and redeemed under the provisions of that act. On June 30, 1880, the amount outstanding was $15,589,888. On June 21, 1879, Congress declared that $8,375,954 had been lost or destroyed. Since then only $299,210.40 has been redeemed, and the probability is that the other $6,000,000 has been lost or destroyed. At least I can cite as high an authority as Mr. SHERMAN in support of the statement.

Now, here is proof that out of the $46,981,000 of fractional currency in circulation for a period of sixteen years, more than $15,000,000 has been lost or destroyed. Now, of these Treasury

notes there is, say, an average of $400,000,000 in circulation for thirty years. Therefore the question would be, if $15,000,000 of fractional currency was lost in sixteen years out of $46,000,000, what amount would be lost out of $400,000,000 of Treasury notes in circulation for a period of thirty years?

The CHAIRMAN. I think you should take into consideration the difference between the fractional notes and the large notes. These fractional notes were very easily destroyed, being small, and they were lost very readily and were stuffed into pockets——

Mr. McLAURIN. Of course, they were not as valuable, being small amounts.

Mr. HAUGEN. Would it be fair to follow that out on the rule of three? In that case it would only be a question of time when they would all be destroyed.

Mr. McLAURIN. No, sir; but we can take into consideration, by way of comparison, the amount of fractional currency lost or destroyed, and in making my estimate I have not taken out anything like as large a per cent as that, as you will see. I have taken into consideration the difference in value, size, etc. This is the only guide, as far as anything like figures were concerned, on which you could possibly base any conclusion. Senators Plumb, STEWART, and some others have placed the amount at $50,000,000. Senator Plumb, in 1888, said:

> No man can tell the volume of greenbacks outstanding. Nominally it is $346,000,000 and a fraction, but that volume has been subject to all the accidents which have occurred during the past twenty-five years whereby money has been consumed, worn out, and lost, and it is doubtful if the amount is really over $300,000,000 to-day.

The CHAIRMAN. Have you compared in this connection the amount of the old land notes which were issued by the Government and the amount of them which were subsequently returned for cancellation?

Mr. McLAURIN. No, sir; I have not made that comparison.

The CHAIRMAN. I think you will find nearly all of those got back safely. The rule you want to apply is the destruction of the national-bank notes, and that will bring you to a comparison with the greenbacks.

Mr. McLAURIN. I did not make that comparison. I adopted this other mode of argument and relied on Senators Plumb and STEWART as men who had given a great deal of attention to the subject and who ought to be authority.

The CHAIRMAN. You will find, if you compare the amount of the national-bank notes retired, that it is very small.

Mr. McLAURIN. Senator GEORGE, of Mississippi, also, in a speech of March 14, 1892, incidentally referred to this subject, when he states:

> We have $100,000,000 in gold as a fund, as Senator Beck says, to guard the greenbacks. We have $346,000,000 of these greenbacks or legal-tender Treasury notes. Mr. Beck says, and he has never been successfully contradicted, that $50,000,000 is ample to guard the $346,000,000. If that be so, and he proves it, as I have read in the hearing of the Senate, it is clear that we may increase the volume of greenback currency double the $346,000,000, and it will remain a safe, sound, redeemable currency, equal to coin.

In this connection I will say, Mr. Chairman and gentlemen, I frankly confess my inexperience and ignorance upon many, perhaps too many, of the propositions which go to make up the

great question of finance. Called together by the President in an extra session to devise means of relief. I began, as best I could, an honest study of the situation. The press and the people were clamoring for more money, and business failures were seen on every hand because of a declared want of money. My own people were driven to the necessity of issuing due bills and clearing-house papers, as I have shown, and, considering their welfare and finding laws upon the statute books which seemed to me ample to afford relief, I introduced this resolution.

Doubtless one objection that will be made to the resolution is that it increases the volume of paper currency, and this will be followed by the statement that the present panic was caused by a return and sale of securities which were held by foreigners, who feared that the volume of paper money would become so great that gold payment would not be maintained, and that the principal and interest or dividends of their holdings would be paid in silver or paper. I have heard that objection raised upon the floor of the House, and I have no doubt in the minds of many of the committee that this is one of the chief objections to a resolution of this character.

But, Mr. Chairman and gentlemen, if it be true that it was the return and sale of the property of the foreign security-holders in this country that caused the panic, then it is true that Congress has been called together to enact laws which will be satisfactory to foreign investors. Speaking for myself, I would say that I am too much of an American to be willing to see any such laws and thereby to have my own people suffer. It is best, perhaps, to meet that objection fairly and squarely at the beginning of my remarks. It is doubtless true that the return of these foreign securities from abroad is largely responsible for the panic.

It is well for us then to consider what kind of securities were held abroad and returned here and sold in such large quantities as to produce a panic. The bonded debt of the nation amounts to $585,000.000, of which $200,000,000 are held by national banks. A large portion of the balance is held in trust funds by estates and for investments of a similar character; but a small portion, as I am informed, of our national debt is held abroad by foreigners. This being true, it follows that the securities which were held abroad and returned here in these large quantities were either private or corporate bonds and stocks. This fact changes the entire face of the proposition, and because of that I make the broad statement, as my opinion, that at this period of our national existence we do not want to bid for foreign investments, and I will briefly undertake to give my reasons for making a statement of that character.

Foreign investments in this country are conclusive evidence of the fact that the necessities of the people here for the use of money are greater, their financial standing being considered, than elsewhere, and hence they are willing to pay a larger tribute for the use of the money. The only logical remedy for such a condition is to supply the people with a sufficient volume of domestic money, and thereby relieve them of the necessity of going abroad for their currency, and this my resolution seeks in part to accomplish. Foreign investments are dangerous to the best interests of our country, as is disclosed by the statement

that the return and sale of those securities produced the present panic.

In other words, we are at the mercy of foreign security-holders who, from an unreasonable fear, or from malice, or any other cause, can at any moment produce a panic and cause our people to suffer. One of the chief objections urged against Chinese immigration is, that they never become naturalized. They come here and secure a competency, either great or small, and when it is secured they go back home. Just so it is with the foreign investor. He comes in here and reaps as much tribute as possible——

Mr. BLACK of Georgia. And he does not even come here.

Mr. McLAURIN. No, sir: he sends his money and he reaps all the tribute possible, and then at the very first token of alarm he takes his flight homeward and leaves us to work out our own destiny.

Mr. HAUGEN. Have you any statistics in regard to the amount of securities returned?

Mr. McLAURIN. No, sir; I have not. I am just making the statement on the general tenor of remarks, and——

Mr. HAUGEN. I think you are perfectly correct in that theory, while I doubt the efficacy of the remedy you propose.

Mr. McLAURIN. I thought that in the minds possibly of a part of the committee that was an objection I had to meet, and I wanted to show I was not unreasonable in making a proposition of this character, and that I had at least reasons which were to me of a satisfactory nature.

While the primary cause of the panic was a lack of domestic money which made possible this invasion of foreign capital, it is no less true that the immediate cause was the want of currency to maintain prices, and thus enable the people to continue the payment of tribute to foreign investors, as I will attempt now to explain. The stocks and bonds held abroad were principally those of railroads and other corporations. Those stocks were usually watered to the fullest extent they would stand. This watered stock is usually more or less divided in its ownership between the resident and the foreigner.

For years the people have been enabled to pay this unfair and exorbitant tribute. During this time the foreign investor received his dividend, and as long as he got his dividend he was content. In the meanwhile the stocks of the resident owner were pledged with a trust company and funds raised to start new enterprises. The stocks and bonds of these new ventures were often placed in the same way and other enterprises built upon that.

In this manner a perfect network of such deals were made, all depending upon the stability of the first. Statistics show that the railroads of the United States cost, on an average, $20,000 per mile, while they are bonded at $63,000: the patrons of the roads must pay the interest on this $43,000 of watered stock. As these corporations became more numerous and the watered stock greater, the demand for tribute upon the people also became greater, until it arrived at a point where they could no longer stand it. A fall in the price of products made a rigid economy on the part of the people who have to pay these dividends and

interest a necessity. Hence there was less travel, less freight, less exchange of manufactured and other products. This economy and lessening of business brought about as an inevitable result less dividends, and the foreign investor became alarmed.

This alarm continued and increased until these investors threw their holdings upon the market. So long as the foreigner was content, the resident holders of these securities could manipulate his stocks with comparative safety, but when the foreigner began to realize upon his portion and the prices declined as a result, the resident holder and all of his interests began to suffer. It became necessary for him to keep his margins good, and in such a rapid decline as followed this became impossible, and he went down, and all the enterprises with which he was connected. In my judgment, it was a fear of the loss of permanent dividends, by reason of the poverty of the people, and not the fear of any particular kind of money used in the final liquidation, that caused the panic.

We are asked to enact laws which will protect the foreign investors in gold payments, forgetting that such laws would bring ruin and disaster upon our people. While we legislate to make the investment of the foreigner satisfactory to him, we are legislating lower prices for the productions of our own people and robbing the farmers and producers of this country of a just and equitable remuneration in return for the products of their labor. To this, so far as I am concerned, I will never consent, but I will oppose with all of the limited ability which I possess.

The fear of an increasing volume of paper money is either a cunning pretext or an absolute absurdity. The paper money outstanding is as follows: Gold certificates $80,414,049; silver certificates $326,206,336; Treasury notes (greenbacks) $346,681,016 (nominal?); Treasury notes of 1890, $149,881,958; national-bank bills (about) $175,000,000. The gold certificates are payable in gold deposited for their issue. The silver certificates are payable in the silver dollars deposited for their issue. The Treasury notes of 1890, issued in payment of the purchase of silver, are payable in silver dollars as is shown in section 3 of the Sherman act, which is as follows:

> That the Secretary of the Treasury shall each month coin 2,000,000 ounces of the silver bullion purchased under the provisions of this act into standard silver dollars, until the 1st day of July, 1891, and after that time he shall coin of the silver purchased under the provisions of this act as much as may be necessary to provide for the redemption of the Treasury notes herein provided for, and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

This leaves the Treasury notes amounting to $346,681,016 and national-bank notes amounting to about $175,000,000, or a total of $521,681,016 of paper money, whose final redemption can become a matter of dispute. Upon this point I would like to submit the following, although there are volumes of such statements. This is from Mr. Pierrepont, Attorney-General of the United States, and afterwards minister to England, in a letter in the New York Times of April 18, 1884, in which he says:

> There is not an outstanding bond, coupon, or greenback issued by the United States which may not lawfully be paid in silver. Not one of them on its face or back, or in the statute authorizing the issue, or in declaration, or in resolution of Congress, has any proviso that they shall be paid in gold. And the act of February 20, 1878, directing the coinage of silver dollars, de-

clared that such dollars shall be a legal tender at a nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract.

In the discussion of the silver question in the House, which if referred to escaped me at the time, as I have not heard it mentioned in the debate, there was a resolution which passed the United States Senate, January 25, 1878, and the House of Representatives on January 28, 1878, by a vote of 42 to 20 in the Senate and 189 to 79 in the House. It was to this effect:

That all the bonds of the United States issued or authorized to be issued under the said acts of Congress hereinbefore recited are payable, principal and interest, at the option of the Government of the United States, in silver dollars of the coinage of the United States, containing 412½ grains each of standard silver; and that to restore to its coinage such silver coins as are a legal tender in payment of said bonds, principal and interest, is not in violation of the public faith nor in derogation of the rights of the public creditor.

The CHAIRMAN. What is the date of that act?

Mr. McLAURIN. This was a joint resolution which passed the Senate January 25, 1878, and the House January 28, 1878.

The CHAIRMAN. That was not an act, that was a concurrent resolution.

Mr. McLAURIN. I so stated. The national-bank currency can only be made a charge upon the Treasury through the Treasury notes, and the law expressly declares that such notes shall not be retired but shall be put immediately into circulation. But counting the entire volume of $521,681,016 with the amount of paper money which is provided for in my resolution, $125,000,000, we would have $646,681,016 in all.

If we deduct from this amount the amount lost or destroyed, $25,000,000, we would have in round numbers $575,000,000. This would give as a reserve 17½ per cent, which, under the circumstances, is plainly abundant, as can be briefly shown by the national bank statistics. I have a report here from the Comptroller of Currency which I will not read, but from which I can summarize the facts which I want in this way.

Mr. HALL of Missouri. What authority is there in law for the Secretary of the Treasury to issue any legal-tender greenback notes for money lost or destroyed?

Mr. McLAURIN. I hate to stop right here; I do not like to break the thread of my argument.

Mr. HALL of Missouri. Go ahead; I will come to that afterwards. I want you before you leave to make that clear.

Mr. McLAURIN. Now, to finish that point. The deposits in these national banks amounts to $1,556,761,230. I will not read all these items, but they amount to $1,754,222,429.

Mr. HAUGEN. What is the date of that?

Mr. McLAURIN. August 17. After deducting the clearing-house certificates and other items counted as currency that are unavailable for immediate use in payment there remains only $271,183,295 as actual reserve, or 15½ per cent. The situation then is as follows: The Government would be doing business with the full amount of $450,000,000 legal tender issued and the present amount of national-bank issues upon a reserve of 17½ per cent, while the banks would be conducting their business upon a margin of only 15½ per cent reserve.

I submit that it is unfair to demand of the Government more and a better reserve security than they are willing to put into

practice among themselves. With this statement, based upon the facts and backed up by the business intelligence and experience of the banking interests, I submit that the fear of an increase of paper money is without any logical foundation.

Mr. HALL of Missouri. I want to read the only authority you have thus far cited. I read from the act of May 31, 1878, omitting the first part:

> That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes, and when any of said notes may be redeemed or be received into the Treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued and paid out again and kept in circulation: *Provided*, That nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead as now provided by law.

Now, I wish to know if you have any authority outside of this statute for basing your resolution, which is that the Secretary of the Treasury shall keep the amount up to $346,000,000 for lost and destroyed currency? There is nothing said in this section about lost or destroyed.

Mr. McLAURIN. If it is lost or destroyed it does not need the Secretary of the Treasury to retire it, because it has retired itself.

Mr. HALL of Missouri. You think, then, that the word "retired," as herein used, means to include money lost?

Mr. McLAURIN. I think so. I think that the money has already been retired by fire and loss of various kinds and I have placed the amount far below what might be reasonably expected, so as to prevent any question of that kind; because, as a matter of common sense, if the money is gone it will never have to be redeemed, and as a business man, if you had debts charged against you which you knew that you would never be called upon to pay, you would credit your bills payable and not have it stand as a debit when it should be a credit.

Mr. WARNER. I presume the gentleman from South Carolina, in his argument, does not intend to make a point upon the peculiar wording of his resolution. What he intends is, by the first section of the resolution proposed by him, to indicate whatever legislation the committee may find necessary, to declare a certain amount of greenbacks to have been lost and destroyed and to authorize reissue, so that although the point is perfectly proper, I do not understand the gentleman from South Carolina means to confine his argument to the very wording of his resolution.

Mr. HALL of Missouri. I will say in explanation of this, I heard this objection made, and I wish to say I am favorably inclined to the gentleman's first section; but I want to hear him on that point, knowing that he has given it some examination and I have not.

Mr. McLAURIN. I thought of that, but I did not think it necessary, for this reason: I do not pretend to be an expert financier, but in looking around got this idea, and thought I would present my views by embodying them in a resolution; then as to technicalities, that is the business of this committee. I have plainly stated our troubles in South Carolina and else-

where, and if you can give us help of any kind, we would be very glad to get it, without regard to the particular form in which the blessing is to come.

Mr. WARNER. If the gentleman from South Carolina will permit me, in view of a somewhat extended and very forcible presentation made by him in the early part of his remarks of the actual situation in South Carolina and the very effective way in which it was made, and especially in view of his own reference to the argument made by Col. OATES yesterday, I would like to know if I understand him correctly in this statement, that the means adopted by the bankers in Columbia, S. C., provided there was no question about its legality, were such as practically to solve the problem as to the shortness of currency, and that if they are permitted to do that in a legitimate way for themselves or if some plan like that proposed by Col. OATES, if some such plan could be adopted as a permanent matter, would that in your view be a satisfactory solution? But so long as the Government does not permit Col. OATES'S plan or the plan of the bankers of South Carolina to be carried into effect, I understand that you insist that the Government provide the greenback or currency which it does not permit you to provide for yourself?

Mr. McLAURIN. Yes, sir: that is one of the branches of my argument, but I go further and say that what the banks adopted as an expedient, the Government can do more thoroughly and effectually, and she ought to come in and do what the symptoms of this financial disease show is necessary to be done. The trouble with the certificates is, they might be subject to the manipulations of speculators. Give us a good legal-tender currency instead.

Mr. WARNER. The resolution presented by the gentleman, as I understand, provides for two things: First, a rehabilitation, if you may so call it, of currency that for one reason or another has become useless for the purposes of circulation. In that I may say I regard the suggestion as a very valuable one. The second one is, the increase of the amount of currency by an estimated amount of $100,000,000.

Mr. McLAURIN. Yes, sir.

Mr. WARNER. As I understand, that increase is to take the form of notes issued by the Government and paid out by the Government for its expenses, debts, etc.

Mr. McLAURIN. Yes, sir.

Mr. WARNER. Now, in view of the suggestion of the gentleman that this was proposed in the midst of a pressing emergency, may I ask him to dwell a little longer upon the precise means by which the placing of these notes to be issued and in the possession of the Government, by which the present or any other similar emergency would be met. Say they have got them in the Treasury here or in the Printing Office, there is no trouble about that?

Mr. McLAURIN. That is the milk in the cocoanut. There is no doubt about it. It is a question of emission. How are you going to get rid of them? I have thought of two plans, and one was suggested by the speech of Mr. GEORGE, from which I read a few moments ago. There are a large number of con-

tracts under the Government which have been suspended for want of funds. It might be used in this way, to pay current expenses of the Government, etc. This idea is from the speech of Senator GEORGE, but my original intention at the time of the introduction of the resolution was this: We were in a tight place and we needed help, and that quickly, and I realized the fact that the only relief from this panicky condition was to come from the cotton crop of the South and the wheat crop of the West; that as soon as we could get these big money crops upon the market, gold would begin to come in, and everything would lighten up.

Now, I believe during Mr. Cleveland's Administration—and if I am incorrect I know the gentleman from New York will correct me—at one time, when there was about to be a panic in New York, $60,000,000 was deposited by the Administration in the Wall street banks without interest.

Mr. WARNER. I think that is a slight mistake, but at the same time I do not find any fault, because deposits have been made to relieve stringency.

Mr. McLAURIN. This is the argument that I make: Before this time, when there was a money famine or likely to be tightness in the money market, the Administration would go to the relief of the New York bankers, and when the Government gets in a tight place it expects the New York bankers to return the favor. Sometimes it is hard to differentiate between the Government and the New York bankers, to tell where one stops and the other begins.

Now, then, realizing the importance of marketing the cotton and wheat crops, I did not see why this currency could not be taken and deposited in the country banks. Why not put some of it in the Columbia banks, and if the Treasury wanted to have a proper understanding with those bankers, it could be placed in there coupled with the condition that they would charge farmers only 6 per cent. There is no better security in the world than a bale of cotton, for if there is any money at all in the country, it will sell for something, and this was the idea I had at the time the resolution was introduced.

Mr. WARNER. As I understand, the resolution provided only that a sum should be credited to the general fund to pay current expenses. This proviso was simply to define the amount of money, and not to indicate the use to which it was to be put?

Mr. McLAURIN. Yes, sir.

Mr. WARNER. And that the use contemplated by this was the deposit of the money so issued in different parts of the country that might need it in the emergency?

Mr. McLAURIN. That was entirely with the Secretary of the Treasury; a matter within his discretion.

The CHAIRMAN. Allow me to suggest that the indications are now that there will be a deficit of probably $50,000,000 and $25,000,000 coupons, which have been extended to be paid by the Treasury of the Government, and those two items must absorb $75,000,000, and it is conceded by all persons that our finances are rather lower than they should be for the successful administration of the Treasury Department. Mr. Foster testified before the Ways and Means Committee that the Treasury ought

to have $50,000,000 more than it had in order to meet its obligations.

Mr. WARNER. I do not think the gentleman misunderstood me. My question was not as to the possibility of this Government using $125,000,000. My question was, how was it to be made immediately available? Because by the wording of his resolution "the same is to be credited to the general fund and to pay current expenses," and I wanted to know how that was to be paid out immediately.

Mr. McLAURIN. Yes, sir: that is the idea: and, in addition to what the gentleman has stated, it seems to me. as a matter of business. in place of the issue of gold bonds and selling them abroad to bring money here. it would be far better for the benefit of the people if Congress should issue these notes, which would bear no interest at all, and which our people would very readily accept, than it would be to issue gold bonds, sell them abroad, and pay interest upon them.

Mr. WARNER. A prompt use of this permission is practically a further issue of greenbacks to be loaned to local banks in parts of the country where currency is most needed?

Mr. McLAURIN. That is exactly it: better than I could have said it.

The CHAIRMAN. I desire to direct the attention of the committee to the constitutional authority to issue any more legal-tender notes than $460,000,000. The Supreme Court held in the legal-tender acts that issue was a war issue and grew out of the necessities of the war, and I think there was some doubt whether they could increase the legal-tender issue under these acts mentioned in this bill and make them legal tender. I do not want you to answer that, but I merely direct the attention of the committee to this.

Mr. JOHNSON of Indiana. You spoke in the early part of your argument about the planter having brought his cotton to town and having been obliged to take it home because there was no money. Is this the first instance that has occurred in your history down there?

Mr. McLAURIN. This is the first time I have ever known of such a thing.

Mr. JOHNSON of Indiana. During this late money stringency, has there been any run upon your banks down there?

Mr. McLAURIN. No, sir.

Mr. JOHNSON of Indiana. Was money hoarded down there—such money as the people had?

Mr. McLAURIN. No, sir: we did not have it to hoard. We have been making cotton at a steady loss for several years, and I could tell you something about the banks there, to show you our people have confidence in our banking institutions. There is a bank in the little town in which I live. and at one time it did not have over $2,000 or $3,000 in it, but our people were not uneasy. They knew it was safe, and that it was honestly administered, and therefore we had no runs in South Carolina. I do not recollect but one single bank failure in the whole State, in spite of all the stringency in money matters, and that was a bank which resumed very speedily—only suspended by reason of the failure of a bank outside of the State.

Mr. BLACK of Georgia. Was it a national bank or a State bank?

Mr. McLAURIN. It was a State bank, at Florence, but it very speedily resumed and is now perfectly solvent.

Mr. JOHNSON of Indiana. I understood you to say you did not suffer from a scarcity of money for marketing your crops?

Mr. McLAURIN. We generally have plenty of money to market the crops. Our terrible time in the South is in the summer and spring, when everything runs on credit, and that was why I was so much impressed with Col. OATES'S argument. He evidently understands the situation in the South.

Mr. JOHNSON of Indiana. What I am driving at is this: Whether there has occurred at various times recently in the history of your people a scarcity of money other than what you cite as having occurred in the last four or five or six months, or is that simply an unusual condition?

Mr. McLAURIN. It is an unusual condition. They will send from New York all the money we want to market the crop in the fall; there has never been any trouble about that. There is no scarcity of money at some price, but sometimes there is a little scarcity of change, and always a low price.

Mr. WARNER. You are dependent upon the actual currency being forwarded from New York about three months every year?

Mr. McLAURIN. Yes, sir.

Mr. JOHNSON of Indiana. You have never had any trouble about it before?

Mr. McLAURIN. Not until now, except with low prices.

Mr. JOHNSON of Indiana. Your remedy is designed to meet this specific trouble which existed?

Mr. McLAURIN. Yes, sir.

Mr. JOHNSON of Indiana. Then it is not necessary for the general condition which has prevailed there?

Mr. McLAURIN. No, sir.

Mr. COBB of Alabama. I would state that that the farmers had to pay too much interest for this money which comes from New York.

Mr. HAUGEN. How do you expect to get this money out of the Treasury?

Mr. McLAURIN. I just answered Mr. WARNER; by the way of the deposits of which I spoke.

Mr. SPERRY. You would have it sent down by express?

Mr. McLAURIN. No, sir; the question of the gentleman from Indiana was about the scarcity of money in general, and that opens up a big question: and whenever you come to study that and reason it out you will see what caused the organization of the Farmers' Alliance and gave birth to the subtreasury bill and every measure of that kind. It is just like the working of the laws of evolution, and it is going on now and getting worse and worse, and will continue to do so unless there are some means devised to remedy it, by giving elasticity to the circulating medium.

Mr. SPERRY. You attribute the low price of cotton to the want of money, to the want of circulating medium?

Mr. McLAURIN. I certainly do.

Mr. SPERRY. Mr. CATCHINGS in his speech attributed it to

two extraordinary large crops, and said that the agricultural associations throughout the South were trying to get together in some way and curtail the output of cotton.

Mr. McLAURIN. I listened to Gen. CATCHINGS's speech and I thought it was one of the best speeches from his standpoint that was made on the floor of the House; but he did not state the condition of the South, and the causes of our poverty correctly, and I believe that if I had the time I could answer the argument, because it was the special pleading of a trained lawyer, from the Wall street standpoint.

Mr. SPERRY. The Statistical Abstract shows that the two crops of 1889 and 1891 were two of the largest crops you had, and that the surplus in sight was so great that it caused the low price in the market.

Mr. McLAURIN. The price is dependent upon the volume of money.

Mr. SPERRY. Rather than the volume of the product in sight?

Mr. McLAURIN. Yes, sir; that is my idea.

Mr. SPERRY. That is absolutely different from anything I know.

Mr. McLAURIN. Just let me ask you a question, if you will pardon me. From the Statistical Abstract of 1892—I do not know I can give the exact figures, but I can give you the idea. In South Carolina in 1873 there was 973,158 acres in corn and there was raised thereon 9,245,000 bushels, the value thereof being $8,690,300. In 1892 South Carolina had in corn 1,691,677 acres and raised thereon 16,713,000 bushels, the value thereof being $9,526,000. Thus we have in 1873 and 1893 an increase of over 63 per cent in the number of the acres, of 80 per cent in bushels, and less than 10 per cent in value. You can not account for this if the volume of money be not taken into consideration.

Mr. SPERRY. I do not understand you; perhaps the rest of the committee do.

Mr. McLAURIN. If I could get the Abstract I could explain it to you.

Mr. COX. He means that the increased price received from the crop of 1890 was not equivalent to the smaller crop of cotton made in 1880, when money was more plentiful.

Mr. McLAURIN. I do not want to undertake to go into all that; but I got the idea—I may be incorrect—that if you take the amount of money in circulation and the amount of crop made, and take the decrease in the amount of money in circulation and the increase in the crop, and run them down each year together, a man can not avoid the conclusion that the volume of money has an effect upon the price of products.

Mr. COBB of Alabama. Anything which influences its price at Liverpool has an effect upon the Southern prices. Does it control it?

Mr. McLAURIN. I think so. That is the place where the price for cotton is fixed for the world.

Mr. SPERRY. If it is true that the Secretary reported that there was more money in circulation in 1890 than in 1880, then, on your theory, it ought to be higher?

Mr. McLAURIN. I know the Secretary of the Treasury can

get up some very pretty reports, but I agree with Mr. HALL that we have learned not to have a great deal of confidence in them. I do not believe that, on the average, there is over $1.50 per capita in circulation in South Carolina the year round.

Mr. WARNER. You mean outside of the bank reserve?

Mr. McLAURIN. Yes, sir. Now, you take it in New York, where it is stated there is $272 per capita in circulation, and in South Carolina, according to the same statement, there is $12.40. Well, I have no doubt that $272 in New York is about right, but there is not even the $12.40 in circulation in South Carolina.

Mr. SPERRY. Just wait one moment right there. I do not care how much per capita is in circulation. That is a greenback idea. My suggestion was that there was more circulation in 1890 than in 1880, and the Treasury statistics as given in 1880 and 1890 are on the same basis exactly and the bank reserves remained the same, and the detailed statements of the different classes of money remained the same, and relatively it is precisely the same in 1890 as in 1880, and with this difference there is more volume in 1890 than in 1880?

Mr. McLAURIN. And more people in 1890, too.

Mr. SPERRY. So, if the Treasury statement is not correct in 1890 it was not correct in 1880, but it was made up in the same way by the Department, and the point I am trying to make, and which I wish to bring to your attention, is that in 1890 there is more money in circulation according to the Treasury statement than in 1880 according to the Treasury statement. Now, on your theory that it is the volume of money which makes prices, will you explain to the committee why, in 1890, with a larger volume of money, prices are lower than 1880 when we had a smaller volume of money?

Mr. McLAURIN. I do not admit as a matter of fact there is as much money in circulation now; as a practical fact I can not admit that.

Mr. SPERRY. Then you dispute the detailed figures of the Treasury of the United States in relation to the amount of money in circulation?

Mr. McLAURIN. In circulation among the people: I know it is not in South Carolina.

Mr. SPERRY. How do you account for the fact that the New York banks are surrendering their circulation now?

Mr. McLAURIN. I do not know unless it is for speculative purposes or to produce another panic.

Mr. SPERRY. You would not conclude that they were surrendering that circulation because they could not properly use it?

Mr. McLAURIN. Well, I would not think they would keep it outstanding if they could more properly draw i in. I am certain they would do what they thought best for their own interest.

Mr. COBB of Alabama. I do not know whether I understood you. Do you mean the volume in circulation in this country controls the price of cotton in the South?

Mr. McLAURIN. No, I mean the amount in circulation for the purpose of buying that cotton; I do not care where it is.

Mr. COBB of Alabama. You agreed to my statement just now that the price of cotton in South Carolina was based on the price at Liverpool?

Mr. McLAURIN. Yes, sir.

Mr. COBB of Alabama. If that be true, how can your other statement be true, that the amount of volume in circulation in South Carolina fixes prices?

Mr. McLAURIN. I was answering Mr. SPERRY'S question then in regard to the correctness of the figures of the Treasury Department of the amount of money in circulation.

Mr. SPERRY. You said that when the crop was harvested you had an abundance of money, which came in there from New York?

Mr. McLAURIN. We had an abundance of money, but they fixed the price of our cotton by combination between Liverpool and New York, and sent just enough money to buy it at that price.

Mr. SPERRY. Then it is your opinion that Liverpool and the New York Cotton Exchange are in a combination?

Mr. McLAURIN. You know very well, and everybody knows, there is a combination of those exchanges to hammer the price of cotton down or up for speculative purposes, without regard to the amount of cotton produced.

Mr. SPERRY. You have the opinion that a great body of fiat money issued by this Government would break up all possible combinations to control prices?

Mr. McLAURIN. I am only in favor of fiat money to a certain extent.

Mr. SPERRY. Not unlimited?

Mr. McLAURIN. No, sir.

Mr. WARNER. I understand the gentleman that his proposition is to only meet an emergency?

Mr. McLAURIN. Yes, sir. I agree with what Mr. GEORGE says in that speech, and it seems to me very sensible. He says:

> We have a hundred million dollars in gold as a fund, as Mr. Beck says, to guard the greenbacks. We have three hundred and forty-six millions of these greenbacks or legal-tender Treasury notes. Mr. Beck says, and he has never been successfully contradicted, that $50,000,000 is ample to guard the $346,000,000. If that be so, and he proves it, as I have read in the hearing of the Senate, it is clear that we may increase the volume of greenback currency double the $346,000,000, and it will remain a safe, sound, redeemable currency equal to coin.

I do not make any such statement, but I say it would be safe on a reserve fund of 17½ per cent.

Mr. SPERRY. Is it your idea that the price of cotton is fixed in Liverpool?

Mr. McLAURIN. I have always heard that and always read it was true, and have no doubt it is so. They fix it low enough, God knows. It is fixed very much without any consultation with the man who makes the cotton, and at such a price that everybody makes a profit from it except the man who raises the cotton and who has the best right, therefore, to expect a profit.

Mr. SPERRY. Now, if the cotton price is fixed in Liverpool, that is a gold price?

Mr. McLAURIN. Yes, sir.

Mr. SPERRY. Liverpool draws London exchange to pay for cotton, and that is gold. If you state that the price of cotton is fixed in Liverpool in gold, how can any quantity of paper in South Carolina help you out?

Mr. McLAURIN. I do not want to go into a discussion of the whole financial system.

Mr. SPERRY. Only a little piece of it.

Mr. McLAURIN. Yes, sir. But my idea is this, that with a proper system of finance, with something that was fair and just, that we would break up the fixing of the price of our cotton in Liverpool, and that America can fix the price of her products here. My whole argument was directed against your allowing these men in Liverpool, foreigners, to come in here and fix the price of our cotton, wheat, or anything else, which they can only do by our adopting the single gold standard.

Mr. HAUGEN. You believe in manufacturing the cotton in this country?

Mr. McLAURIN. Yes, sir.

Mr. SPERRY. If you intend to break up Liverpool prices and London exchange, do not you think you ought to have more than $125,000,000?

Mr. McLAURIN. Yes, sir; but we will take that if we can get it.

Mr. JOHNSON of Indiana. But you think they could increase that quantity?

Mr. McLAURIN. Yes, sir.

Mr. JOHNSON of Indiana. Could you upset the Liverpool and London exchange with $125,000,000?

Mr. McLAURIN. No; I do not propose to do that.

Mr. HALL of Missouri. I object very much to the gentleman from Connecticut mingling and obscuring the distinction between price and value as utterly as he does. Nobody maintains for a moment that the price of cotton is fixed in Liverpool.

Mr. SPERRY. Do you understand there is any difference between price and value?

Mr. HALL of Missouri. Yes, sir; and everyone who has studied the works of political economists understands that thoroughly, and would agree with what I say.

Mr. SPERRY. Following the suggestion of the distinguished political economist from Missouri, will you describe to this committee the precise difference between the price and value of a commodity when it is put on an auction market?

Mr. McLAURIN. I have no doubt that the gentleman from Missouri can describe that with a great deal more accuracy and ability than myself, and I will yield the floor to him. I might say, however, that value is utility, pride is debt-paying power, and while the price is artificially fixed in Liverpool, the value of cotton is determined by the number of naked backs it will clothe, and is the same whether they get our cotton at 5 cents or 10 cents per pound.

Mr. HALL of Missouri. I am very glad to take the position. I maintain, with Prof. Taussig of Harvard, that the man who does not draw a distinction, and keep it fairly in his mind, between price and value is a mere tyro. Gentlemen, I claim that the political economists—and I do not pride myself on that—and the gentleman, I suppose, sprays down his blood by speaking of me as a distinguished political economist from Missouri——

Mr. SPERRY. You spoke of other political economists agreeing with you on the subject.

Mr. HALL of Missouri. I think there is not a single writer that I have examined, and I think I cited some fourteen in the argument I made on the floor of the House on this question——

Mr. SPERRY. And a very good argument it was.

Mr. HALL of Missouri. Thank you. I know in that argument I cited the leading political economists of the different universities of this country and abroad. I quoted Adam Smith, the professor of Amherst, the professor of Williams, and Yale, John Stuart Mill, Prof. Taussig of Harvard, Prof. Sumner of others, in which they lay down the doctrine and principle that any increase whatever in the volume of the circulating medium increases prices, and any decrease in the volume decreases prices. Now I am going to quote John Stuart Mill's exact language, and refer the gentleman to volume 3, chapter 5, section 4, where he states:

> That an increase of the quantity of money raises prices, and a diminution lowers them is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others.

Now I take this illustration. There is a building, say here in this city, and if the circulating volume in the United States was \$25 per capita, which it is not, and the price of that building in the market will sell for \$10,000, increase the volume of that currency to \$50 per capita in circulation, and the price of that building will be double that amount. If this volume per capita should be lessened, the price of that building will follow the lessening of the per capita. I can explain why that is. In increasing the volume of the circulating medium, that increases the value of the crops not a dollar; it does not affect the value of the crops at all, but it does increase the price the farmers receive, and price is what they pay their debts with.

Mr. HAUGEN. Is it not true in fixing the value of this house that it must be fixed where the house is located, and it can not be fixed in Liverpool or elsewhere, and for that reason it differs from the value of a commodity that finds its way to a general market?

Mr. HALL of Missouri. I say that the value of the house is not changed by the increase of the volume of money; the value remains the same, but the price is increased, and if that man has any debts to pay he pays his debts with price and not value.

Mr. COBB of Alabama. I would like to put this question, and have you draw a distinction: What is the distinction between the effect which the Liverpool market has upon our cotton crop and the increase or decrease of volume in our own States?

Mr. HALL of Missouri. The effect of increase or decrease of volume in our own States is the increase or decrease of the price of products.

Mr. COBB of Alabama. Without reference to Liverpool?

Mr. HALL of Missouri. I can not say without reference to Liverpool, but a correct statement of the matter would be this, that by limitations and surroundings, the supply and demand being the cause in one instance, the same it is in other instances, then the price would be affected by the volume of circulation; it is a thing like real estate that is affected by the volume of the circulating medium.

Mr. COBB of Alabama. Then, if the cotton producer gets more for the cotton he pays more for anything he consumes.

Mr. HALL of Missouri. There is no question about that. But what I want to say is a report has been handed in from the United States Treasury and read in the United States Senate not over thirty days ago, in which it was stated that the volume of the debt of the United States to-day is $31,000,000,000, and that debt has to be paid by price and not by value: and this gentleman comes forward here and argues the proposition that we increase the volume of the currency——

Mr. COBB of Alabama. Would you advocate an inflation of the currency simply in view of the debtor and creditor relations?

Mr. HALL of Missouri. Understand me in this way: when I was asked by a National Alliance, the State Alliance, and by the suballiance known as my Congressional District Alliance, if I would agree to a per capita volume of $50, I said, "No, sir: I will only pledge myself to vote one way, that you shall have the right to pay your debts in the same value of money as when the debt was contracted, but if $50 or $20 enables you to repudiate one cent of your honest debt I shall never vote in Congress in favor of that proposition, but I shall demand, as far as my ability is, that you have the right to pay your debts in the same volume of money as when the debt was contracted: and that is a doctrine that is sustained by all writers, and is a doctrine that is sustained by the plainest tenets and principles of Christianity."

Mr. SPERRY. Mr. McLAURIN and I were not talking about this house on the other side of the street, but we were talking of cotton in Liverpool. Will you describe to this committee the difference between the price and value of cotton sold in the exchange of Liverpool?

Mr. HALL of Missouri. I will say, with all due deference, that I thought I made that question clear to everybody and I thought even to yourself, but I see I have failed.

Mr. SPERRY. You have drawn an illustration of some house on the other side of the street and——

Mr. HALL of Missouri. I said an increase of the volume of money in the United States does not affect the value of the cotton in Liverpool as between value and price: supply and demand control it: but the price of cotton is determined by the volume of the circulating medium in this country.

Mr. COBB of Alabama. Did you ever know cotton to sell in America at a price higher than the value in Liverpool?

Mr. HALL of Missouri. I will answer that, gentlemen, in this way: If you mean that the value of the cotton in the United States has never exceeded the value of the cotton in Liverpool, I answer you no: but if you mean the value of the cotton in Liverpool has not been different from the price of the cotton in the United States, I answer you yes.

Mr. COBB of Alabama. I am talking about what the farmer gets in his pocket which jingles as money. Does he get for his cotton 1 cent or part of a cent per pound more than the quotations from Liverpool every day? I do not care whether you call it price or value. I am talking about the money which he gets. Is it not a principle of political economy that where a consider-

able portion of a production of a country is exported, that that part of it which remains at home is always governed by the export price?

Mr. HALL of Missouri. There is no difference whatever on that question. That is an old settled doctrine that the price of the surplus exported fixes the price of the home product. Of course they are using the word price here in relation to the word value and in relation to the question here——

Mr. COBB of Alabama. I say that this distinction has nothing to do with the amount of money the farmer puts in his pocket.

Mr. McLAURIN. Gentlemen, I will state that I am indebted for your patient hearing and the courtesy with which I have been heard.

APPENDIX.

Mr. HARTER of Ohio has introduced a bill providing for an increase of currency by enlarging the amount which national banks may issue upon their deposits of bonds. We both have the same objective point, to wit, an increase of the volume of currency, with this difference:

Mr. HARTER proposes to give the benefit accruing from such increase to the national banks, in order to benefit a privileged class.

Mr. McLAURIN proposes the Government to make the increase for the benefit of all the people. In this connection I submit a table showing two things:

First. The enormous profits which have already accrued to this privileged class, called national bankers.

Second. A table showing, in connection with the questions of Mr. SPERRY of Connecticut, the effect of contraction upon the price of products.

BANK PROFITS.

The following table, showing the bank profits for a series of years, is given below. It is taken from the World Almanac, and is presumably correct:

Year.	Capital.	Net earnings.
1872	$465,676,023	$58,075,430.05
1873	488,100,951	65,048,578.00
1874	589,938,284	59,680,931.00
1875	497,864,833	58,946,224.00
1876	500,472,271	43,698,152.00
1877	486,324,852	34,857,990.00
1878	470,331,890	30,600,589.00
1879	455,132,056	31,551,860.00
1880	456,315,002	51,187,034.00
1881	458,934,485	53,632,563.00
1882	476,947,715	53,321,234.00
1883	494,640,140	54,007,148.00
1884	518,605,725	52,362,783.00
1885	534,699,605	43,625,497.00
1886	532,556,921	55,165,385.00
1887	578,462,965	64,506,869.66
1888	583,538,144	65,362,286.73
1889	596,322,518	59,618,265.07
1890	625,089,645	72,055,163.52
1891	760,108,201	75,763,514.00
Total earnings		1,081,988,586.98

The following figures, taken from the United States Statistical Abstract, issued by the United States Treasury Department, shows the effect of a contraction of the currency, and falling prices on farm products:

Year.	Products.	Aggregate crop.	Home value.
1867	Wheat ...... bushels..	212,441,400	$421,796,460
1892	......do	515,949,000	322,111,881
1867	Corn .... bushels..	768,320,000	610,948,390
1892	......do	1,628,464,000	642,146,630
1867	Potatoes .. bushels..	97,783,000	89,276,830
1888	......do	202,365,000	81,413,589
1867	Hay .... tons..	26,277,000	372,864,670
1888	......do	46,643,094	408,499,565
1867	Tobacco ... pounds..	313,724,000	41,283,431
1888	......do	565,795,000	43,666,665
1870	Cotton .... bales..	3,114,592	303,600,000
1891	......do	8,652,597	366,863,788

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